

Message Text

CONFIDENTIAL

PAGE 01 WARSAW 08760 081230Z

41

ACTION EUR-12

INFO OCT-01 ISO-00 INT-05 EB-07 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 SIL-01 DHA-02 DOTE-00 DODE-00 PM-04
H-01 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AGRE-00 CIEP-01 OMB-01 TRSE-00 /079 W

----- 041981

R 081034Z DEC 76

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 5447

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMCONSUL MUNICH

C O N F I D E N T I A L WARSAW 8760

E.O. 11652: GDS

TAGS: ENERG ECON PL

SUBJ: MORE ON POLISH COAL SITUATION

REF: WARSAW 7990

1. SUMMARY: RELATIVELY MILD WEATHER, IMPROVED COORDINATION IN COAL TRANSPORT, AND INCREASED MARKET DELIVERIES HAVE EASED THE TIGHT COAL SITUATION. NONETHELESS, SOME AREAS OF THE COUNTRY STILL DO NOT HAVE ADEQUATE AMOUNTS OF COAL. GOVERNMENT MEASURES AIMED AT SLOWING PRIVATE CONSUMPTION HAVE INCREASED SPECULATIVE BUYING, AS HAS THE LINKING OF RURAL COAL SALES TO AGRICULTURAL OUTPUT DELIVERIES. WHILE THE IMMEDIATE PRESSURE ON SUPPLIES HAS EASED, GIEREK HAS FELT COMPELLED TO GIVE HIS ASSURANCES THAT COAL EXPORTS HAVE ALREADY BEEN REDUCED. END SUMMARY.

2. ALTHOUGH THE DOMESTIC COAL SITUATION REMAINS TIGHT, RELATIVELY MILD WEATHER, BETTER COORDINATION IN COAL TRANSPORT, AND INCREASED MARKET DELIVERIES SEEM TO HAVE EASED THE CRISIS SOMEWHAT. POLISH SOURCES SAY THAT THE SHORTAGES OF COAL STILL EXISTING IN CERTAIN

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 WARSAW 08760 081230Z

PARTS OF THE COUNTRY ARE LARGELY THE RESULT OF THE SEVERE 1975-

76 WINTER AND OF SPECULATIVE BUYING. ACCORDING TO PRESS REPORTS, COAL YARDS SOLD 19 PERCENT MORE COAL IN THE FIRST SIX MONTHS OF 1976 THAN IN THE SAME PERIOD OF 1975. SALES IN RURAL AREAS WERE REPORTED TO HAVE BEEN MORE THAN 25 PERCENT HIGHER. THE JUNE EVENTS AND THE IMPOSITION OF SUGAR RATIONING IN JULY ENCOURAGED SPECULATIVE BUYING OF COAL, AND DISLOCATIONS IN THE TRANSPORT NETWORK ADDED TO FEARS THAT COAL SUPPLIES WOULD BE INADEQUATE IN THE WINTER MONTHS.

3. IN MID-SEPTEMBER, THE GOVERNMENT TOOK A NUMBER OF ACTIONS WHICH PROBABLY ADDED TO THE SPECULATIVE DEMAND FOR COAL. A SYSTEM TO MONITOR PRIVATE PURCHASES WAS INSTITUTED AND A COAL-RATIONING SCHEME FOR URBAN DWELLERS WENT INTO EFFECT. TENANTS OF A ONE-ROOM APARTMENT ARE NOW ALLOTTED 1.2 TONS FOR THE WINTER, WHILE TENANTS OF A THREE-ROOM APARTMENT ARE ENTITLED TO 2 TONS. IN ADDITION, THE REGIME USED THE CRISIS TO BRING MORE PRESSURE TO BEAR ON PRIVATE FARMERS. PRIORITY DELIVERIES OF COAL TO RURAL AREAS WERE LINKED TO THE SALE OF LIVESTOCK AND GRAIN TO THE STATE. IN EFFECT, GIEREK REINSTITUTED -- ALBEIT IN A LIMITED WAY

--

THE COMPULSORY DELIVERIES OF FARM PRODUCE WHICH HE HAD DISCONTINUED SHORTLY AFTER HE CAME TO POWER.

4. THE REGIME HAS ALSO TRIED TO CURB THE PROFLIGATE USE OF ENERGY BY THE INDUSTRIAL SECTOR, PARTICULARLY IN THE CHEMICAL, METALLURGICAL, AND MINING BRANCHES. EVEN THOUGH THERMAL GENERATING PLANTS HAVE BEEN CONSTRUCTED AT AN AMBITIOUS PACE, INDUSTRY'S APPETITE FOR POWER HAS GROWN EVEN FASTER. IN 1976, MORE THAN 105-MILLION KILOWATT HOURS OF ENERGY WILL BE PRODUCED, BUT DEMANDS WILL STILL OUTSTRIP SUPPLY DURING PEAK PERIODS. SOME ENERGY-SAVING MEASURES HAVE BEEN UNDERTAKEN IN FACTORIES, BUT THE GOVERNMENT IS RELUCTANT TO RAISE PRICES TO LIMIT CONSUMPTION. INDUSTRIAL USERS ARE SUBJECT TO PUNITIVE CHARGES FOR ENERGY CONSUMED IN EXCESS OF THE PLAN. BUT, ACCORDING TO LECH FROELICH, A WELL-KNOWN ECONOMIC JOURNALIST, ENERGY CHARGES RANGING AS HIGH AS FIVE TIMES THE NORMAL RATE ARE IGNORED BY MANY OF POLAND'S FACTORY MANAGERS. FROELICH SAID THAT, BECAUSE ENERGY IS PRICED MUCH TOO CHEAPLY, (ITS SHARE IN TOTAL PRODUCTION COSTS AMOUNTS TO LESS THAN TWO PERCENT), MANY OBSOLETE FACTORIES CAN AFFORD TO REMAIN IN PRODUCTION. NONETHELESS, THE REGIME SEEMS TO WANT TO AVOID PRICE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 WARSAW 08760 081230Z

CHANGES AND INSTEAD PREFERS ADMINISTRATIVE MEASURES AND JAWBONING TO TRIM CONSUMPTION.

5. DELIVERIES OF COAL TO THE DOMESTIC MARKET WERE RECENTLY RAISED FROM 65-THOUSAND TO ONE HUNDRED THOUSAND TONS DAILY, AND THE PRESS HAS NOTED SOME IMPROVEMENT IN THE TRANSPORTATION AND DISTRIBUTION OF COAL. MOST IMPORTANTLY, MANY RURAL USERS HAVE NOW SECURED SUPPLIES ADEQUATE TO LAST THEM THROUGH THE WINTER.

ON THE OTHER HAND, GREENHOUSE OWNERS -- AN IMPORTANT SOURCE OF POLAND'S WINTERTIME VEGETABLE SUPPLY -- ARE ENCOUNTERING SOME DIFFICULTY IN OBTAINING ALL THE COAL THEY NEED. THERE HAVE ALSO BEEN REPORTS THAT COAL IS BEING RESOLD IN SOME LOCALITIES FOR TWO TO THREE TIMES ITS OFFICIAL PRICE OF 550 ZLOTYS PER TON.

6. COMMENT: WE THINK THE WORST OF THE SPECULATIVE RUN ON COAL IS OVER, EVEN THOUGH SHORTAGES STILL EXIST IN CERTAIN PARTS OF THE COUNTRY. POLAND'S DISGRUNTLED PUBLIC REMAINS SKEPTICAL OF THE GOVERNMENT'S EXPLANATIONS OF HOW ONE OF THE WORLD'S LEADING COAL PRODUCERS CAN BE SHORT OF COAL, JUST AS IT IS DISMAYED BY THE RATIONING OF SUGAR IN ONE OF EUROPE'S LARGEST SUGAR-PRODUCING COUNTRIES. TO EASE PUBLIC CONCERNS, GIEREK, IN HIS SPEECH AT THE FIFTH PLENUM, FELT COMPELLED TO GIVE ASSURANCES THAT EXPORTS OF COAL HAD BEEN REDUCED TO PROVIDE LARGER DOMESTIC SUPPLIES. HE ALSO APPEALED TO KATOWICE'S MINERS TO EXTRACT ADDITIONAL COAL BY WORKING SUNDAYS AND HOLIDAYS. SINCE COAL ACCOUNTS FOR AT LEAST 25 PERCENT OF POLAND'S HARD-CURRENCY EARNINGS AND IS NOW A TOPIC OF INTENSE PUBLIC CONTROVERSY, IT WILL CONTINUE TO GET A GOOD DEAL OF HIGH-LEVEL GOP ATTENTION OVER THE COMING MONTHS.
END COMMENT.

DAVIES

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, ENERGY, COAL
Control Number: n/a
Copy: SINGLE
Draft Date: 08 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ullricre
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WARSAW08760
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760453-0907
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761260/aaaabzug.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 WARSAW 7990
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 14 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 APR 2004 by CollinP0>; APPROVED <04 AUG 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MORE ON POLISH COAL SITUATION
TAGS: ENRG, ECON, PL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006